

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – December 2017**

Applicant/Obligor:	EJE Elementary Academy
Project School:	EJE Elementary Academy
CDS (County – District – School) Code:	37-67991-0108563
School Address/Proposed Site:	851 South Johnson Avenue, El Cajon, CA 92020
Type of Project:	Rehabilitation
Type of Apportionment:	Preliminary
County:	San Diego
District in which Project is Located:	Cajon Valley Union School District
Charter Authorizer:	Cajon Valley Union School District
Total OPSC Project Cost (Rehab):*	\$9,736,557.60
State Apportionment (50% Project Cost):	\$4,868,278.80
Lump Sum Contribution:	\$0.00
Total CSFP Financed Amount:	\$4,868,278.80
Length of CSFP Funding Agreement:	30 Years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$248,376
First Year of Occupancy (Rehab Project):	2019-20

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that EJE Elementary Academy (“EJE Academy”), is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is also contingent upon EJE Academy electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review for EJE Academy. Detailed information is contained in the body of the report.

Criteria	Comments
District Information	
Demographic Information	<ul style="list-style-type: none"> In 2016-17, EJE Academy had a total enrollment of 537 students in grades K - 5 (the ADA rate was 95.7%). By 2019-20 (1st Full Year of Expected Project Occupancy), EJE Academy projects an enrollment of 600 students.
Debt Service Coverage	The projected debt service coverage ratios are 102.5% and 106.3% for 2020-21 and 2021-22, respectively. This meets the Program's minimum debt service coverage requirement of 100%. EJE Academy will not rely on fundraising in order to meet the debt service coverage requirement. Gross debt service coverage based on LCFF sources subject to the CSFA intercept would be 1,646.0% and 1,696.6% for 2020-21 and 2021-22, respectively.
Other Financial Factors	<ul style="list-style-type: none"> Projected ratios of CSFP payments to total revenues are 4.2% and 4.1% for 2020-21 and 2021-22, respectively, which are below the preferred maximum range of 10-15%. Net working capital of \$2,031,728 for 2016-17 represented 35.7% of total expenses, which exceeds the preferred minimum of 5.0%.
School Information	
Eligibility Criteria	EJE Academy has met all eligibility criteria: (1) EJE Academy commenced operations in 2005; (2) EJE Academy's charter is in place through June 2018; (3) EJE Academy is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	EJE Academy students have outperformed both the comparable school and the district as a whole in English Language Arts and Mathematics per the "Smarter Balanced" assessment provided through CDE. In 2015-16, 54% of EJE Academy students met or exceeded the new English Language Arts/Literacy standard set by the California Assessment of Student Performance and Progress' (CAASPP) Smarter Balanced Assessment. That same year 49% of students met or exceeded the Mathematics standard under CAASPP's Smarter Balance Assessment. In 2016-17, 52% of EJE Academy's students met or exceeded the new English Language Arts/Literacy standard; and 48% of students met or exceeded the Mathematics standard.

Program Eligibility: On September 15, 2017, at CSFA staff's request, verification was received from Cajon Valley Union School District confirming that EJE Academy (1) has been in operation for more than 2 years, (2) in compliance with the terms of its charter agreements, and (3) in good standing with its chartering authority. EJE Academy's current charter is effective through June 2018.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: This description is the most detailed description EJE Academy could provide. The rehabilitation project will consist of modernizing existing buildings to upgrade electrical and lighting, replace flooring and other finishes, paint and other related work. Project completion is expected to be September 2019 and the first year of project occupancy is expected to be 2019-20.

Organizational Information: EJE Academy is a K - 5 grade charter school with 501(c)(3) non-profit public benefit status as EJE Academies. The school received its first charter in 2005 and began instructional operations in the 2005-06 school year and currently serves 537 students. The school projects enrollment to increase to 600 in 2019-20.

The school describes itself as a dual-language charter school that seeks to prepare students from diverse populations to excel in higher education and to be leaders in creating a just global community. EJE Academy acts as its own fiscal agent and is governed by its own board. The Board of Trustees is authorized to create and modify its bylaws to help detail the Board's rules and procedures, including increasing its membership and setting terms of current and future Board Members. The 2017-18 board members consist of Jerry Hoffmeister, Nancy Martinez, Joe Lara, Orlando Hernandez, and Deborah Costa. Staff has reviewed the list of board members and determined them to have the proper background and experience to govern.

Eva Pacheco is the current Executive Director of EJE Academies, which includes EJE Middle Academy and EJE Elementary Academy, and Delia Kumabe is the principal of EJE Academy. Staff reviewed the credentials of the Executive Director of EJE Academies and the Principal of EJE Academy and determined that, collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of EJE Academy.

School Academic Performance: The following tables represent the 2015-16 and 2016-17 academic performance of EJE Academy, a similar local public school (Chase Avenue Elementary School), and Cajon Valley Union School District. The results are provided through CDE's CAASPP Smarter Balanced testing data.

English Language Arts (2016-17) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
EJE Academy	48%	Low	3/3
Local School	26%	Low	(Avg) 4/5
District	42%	Low	8/12

Mathematics (2016-17) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
EJE Academy	33%	Low	3/3
Local School	22%	Low	(Avg) 5/5
District	32%	Low	8/12

English Language Arts (2015-16) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
EJE Academy	44%	Average	0/3
Local School	24%	Average	3/5
District	43%	Average	1/10

Mathematics (2015-16) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
EJE Academy	40%	Low	3/3
Local School	25%	Average	1/5
District	34%	Average	1/10

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for EJE Academy from FY 2014 through FY 2022. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data and the schools current waitlist, which totals 608 students.

School Student Enrollment and Average Daily Attendance

<u>EJE</u>	2014	2015	2016	2017	2018	2019	2020	2021	2022
Enrollment	461	513	525	537	580	600	600	600	600
ADA	96.3%	95.3%	95.4%	95.7%	95.7%	95.7%	95.7%	95.7%	95.7%

Financial Analysis: This financial analysis is based on the consideration and review of the following for EJE Academy, the financial obligor and Applicant: (1) audited financial statements for 2013-14, 2014-15 and 2015-16; (2) unaudited financial statements for 2016-17; (3) adopted budget for 2017-18; and (4) budget projections for 2018-19 and 2021-22, along with assumptions.

Assumptions: EJE Academy's financial projections are based upon the following assumptions: (1) School enrollment projections as provided above under "Enrollment Trends and Projections"; (2) Projected school ADA rates of 95.7%, which are consistent with historical performance; (3) Local Control Funding Formula (LCFF) per-ADA funding rate of \$8,613 for 2017-18, as included with EJE Academy's projections for 2017-18, along

with annual cost-of-living adjustments (COLAs) of 1.48% (2017-18), 2.40% (2018-19), 2.53% (2019-20), 2.66% (2020-21), and 2.00% (2021-22).

Long Term Liabilities: As provided by the 2015-16 audited financial statements, EJE Academy has no long-term debt.

Private Contributions: EJE Academy does not rely on any private contributions to meet debt service coverage.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding EJE Academy's financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
OPERATIONAL & FINANCIAL									
Enrollment	461	513	525	537	580	600	600	600	600
Average Daily Attendance (ADA)	444	489	501	514	555	574	574	574	574
Average Daily Attendance (%)	96.3%	95.3%	95.4%	95.7%	95.7%	95.7%	95.7%	95.7%	95.7%
Retention Rate	0.0%	97.0%	95.0%	97.0%	96.3%	96.3%	96.3%	96.3%	96.3%
FTE Teachers	26	27	24	23	0	0	0	0	0
LCFF Sources/ADA	\$ 6,985	\$ 7,467	\$ 8,635	\$ 9,091	\$ 8,613	\$ 8,531	\$ 8,750	\$ 8,988	\$ 9,206
% Change		6.9%	15.6%	5.3%	-5.2%	-1.0%	2.6%	2.7%	2.4%
Operating Revenues/ADA	\$ 8,799	\$ 9,305	\$ 11,269	\$ 10,961	\$ 10,089	\$ 9,922	\$ 10,142	\$ 10,379	\$ 10,598
% Change		5.7%	21.1%	-2.7%	-8.0%	-1.7%	2.2%	2.3%	2.1%
Operating Expenses plus CSFP Lease/ADA	\$ 8,608	\$ 9,288	\$ 9,695	\$ 11,074	\$ 9,682	\$ 9,521	\$ 9,722	\$ 10,386	\$ 10,572
% Change		7.9%	4.4%	14.2%	-12.6%	-1.7%	2.1%	6.8%	1.8%
Free Cash Flow/ADA	\$ 191	\$ 17	\$ 1,574	\$ (113)	\$ 407	\$ 401	\$ 420	\$ (7)	\$ 26
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022
DEBT SERVICE COVERAGE									
Total Operating Revenues	\$ 3,906,914	\$ 4,550,020	\$ 5,645,620	\$ 5,633,923	\$ 5,599,379	\$ 5,695,478	\$ 5,821,441	\$ 5,957,626	\$ 6,083,172
Total Operating Expenses	3,821,949	4,541,645	4,857,008	5,691,878	5,373,511	5,465,293	5,580,592	5,713,216	5,819,785
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	84,965	8,375	788,612	(57,955)	225,868	230,185	240,849	244,410	263,387
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-
Add Back Depreciation	-	-	-	151,001	142,334	36,230	22,208	10,123	561
Adjusted Net Income Available for CSFP Lease Pymt.	84,965	8,375	788,612	93,046	368,202	266,415	263,057	254,533	263,948
CSFP Lease Payments	-	-	-	-	-	-	-	248,376	248,376
Free Cash Flow	\$ 84,965	\$ 8,375	\$ 788,612	\$ 93,046	\$ 368,202	\$ 266,415	\$ 263,057	\$ 6,157	\$ 15,572
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	102.5%	106.3%
DSC from LCFF Sources subject to CSFA Intercept								1646.0%	1696.6%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.2%	4.1%
FUNDRAISING									
Fundraising for Operations	\$ 34,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fundraising/Oper. Revenues	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	102.5%	106.3%
LIQUIDITY									
Current Assets	\$ 1,915,562	\$ 1,725,212	\$ 2,289,876	\$ 2,494,603					
Current Liabilities	500,261	372,435	341,762	462,875					
Net Working Capital	\$ 1,415,301	\$ 1,352,777	\$ 1,948,114	\$ 2,031,728					
Net Working Capital/Oper. Expenses	37.0%	29.8%	40.1%	35.7%					
Unrestricted Cash & Cash Equivalents	\$ 1,026,310	\$ 1,442,233	\$ 1,990,813	\$ 2,241,764					
Unrest. Cash & CE/Oper. Expenses (Days)	98	116	150	144					
Unrest. Cash & CE/All Expenses (Days)	98	116	150	144					

Benchmark Summary (Threshold):

- Free Cash Flow/ADA – \$324 avg. (< \$0)

- Free Cash Flow – \$210,489 (< \$0)
- Net Working Capital as Portion of Operating Expenses – 35.7% (< 5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Revenue – 127 days (< 90 days)

Summary of Financial Findings and Special Considerations: EJE Academy projects positive operating revenue from 2017-18 through 2021-22. Major funding sources for EJE Academy include federal income sources (LCFF Revenue, Title I and Title II funds, Child Nutrition Program and other federal income), which accounts for approximately 94% of EJE Academy's current income; state income sources (Child Nutrition Program, Mandate Block Grant and other state income), which accounts for approximately 5.2% of the EJE Academy's current income; and local income sources (food service sales, private fundraising efforts and other local income), which accounts for approximately 0.4% of EJE Academy's current income. There are no long-term liabilities or obligations. In addition and on average, EJE Academy has 127 operating days of unrestricted cash & equivalents and the available net working capital averages 35.7% as a portion of the operating expenses.

EJE Academy has chosen to enter into a loan repayment to cover the local matching share. Assuming a 3.0% interest rate, a 30-year repayment period, and a CSFP lease amount of \$4,868,279, EJE Academy's CSFP payment would be \$248,376 in both 2020-21 and 2021-22. EJE Academy's adjusted net income of \$254,533 for 2020-21 and \$263,948 for 2021-22 would provide debt service coverage of 102.5% and 106.3%, respectively, which is above the minimum requirement of 100%. The CSFP payments would represent 4.2% and 4.1% of projected operating revenues for each of these years, which is below the preferred maximum range of 10-15%. Please note that gross debt service coverage based on LCFF sources subject to the CSFA intercept would be 1,646.0% in 2020-21 and 1,696.6% in 2021-22.

Strengths, Weaknesses and Mitigants:

- + EJE Academy has outperformed their district counterparts on average in both English Language Arts and Mathematics assessment in the last two years and that overall trend is improving.
- +/- EJE Academy' debt service coverage ratios for the first two years of repayment are just above the 100% threshold required, but EJE Academy has 127 operating days of unrestricted cash & equivalents available.
- + EJE Academy is not dependent on fundraising contributions to meet its debt service coverage.

Staff Recommendation: Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that EJE Elementary Academy ("EJE Academy"), is financially sound for the purposes of Charter School Facilities Program ("Program" or "CSFP") Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is also

contingent upon EJE Academy electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.